

**The National Taxpayer Advocate Needs to Ensure
Operations Employees Receive Training to Identify
Cases**

October 2001

Reference Number: 2002-10-002

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

October 17, 2001

MEMORANDUM FOR NATIONAL TAXPAYER ADVOCATE

Scott E. Wilson

FROM: (for) Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The National Taxpayer Advocate Needs to
Ensure Operations Employees Receive Training to Identify
Cases (Audit # 200110023)

This report presents the results of our review to determine if the National Taxpayer Advocate (NTA) implemented the provision of 26 U.S.C. § 7803(c) that requires the NTA to develop guidance to be distributed to all Internal Revenue Service (IRS) officers and employees outlining the criteria for referral of taxpayer inquiries to local offices of the taxpayer advocate.¹

In summary, we found that the Taxpayer Advocate Service (TAS) developed guidance outlining the criteria for identifying cases to be referred to the TAS. The TAS provided guidance through internal manuals, the IRS Intranet, and criteria awareness training. However, it cannot ensure it has provided the training on identifying cases to the intended IRS employees.

Local Taxpayer Advocates should identify all IRS groups, functions, and units in their areas and document who received criteria awareness training to ensure the TAS reaches all IRS employees. In addition, to ensure training can be scheduled with all appropriate employees, the TAS should obtain national service-level agreements with the IRS functions that require training for IRS employees on identifying taxpayer advocate cases.

Management's Response: The NTA agreed with the results and conclusions presented in this report. The TAS will work to identify the specific IRS groups, functions, and units that should receive criteria awareness training. In addition, TAS management developed draft national service-level agreements that require training for IRS public

¹ 26 U.S.C. § 7803(c)(2)(C)(ii) (Supp. IV 1998).

contact employees on identifying TAS cases. Management's comments have been incorporated into the report where appropriate, and the full text of their comments is included as Appendix V.

Copies of this report are being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

**The National Taxpayer Advocate Needs to Ensure Operations
Employees Receive Training to Identify Cases**

Table of Contents

Background	Page 1
The Taxpayer Advocate Service Developed Guidance Outlining Criteria for Identifying Referrals	Page 2
The Taxpayer Advocate Service Cannot Ensure It Provided Criteria Awareness Training to All Intended Employees.....	Page 2
<u>Recommendations 1 and 2:</u>	Page 4
Appendix I – Detailed Objective, Scope, and Methodology	Page 5
Appendix II – Major Contributors to This Report.....	Page 7
Appendix III – Report Distribution List.....	Page 8
Appendix IV – Taxpayer Advocate Service Case Referral Criteria.....	Page 9
Appendix V – Management’s Response to the Draft Report	Page 10

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

Background

The Office of the National Taxpayer Advocate (NTA) assists taxpayers in resolving problems that have not been resolved through normal channels or who are suffering significant hardships. As a result of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998,¹ the Taxpayer Advocate Service (TAS) became independent of the IRS operating divisions and functional units.²

The TAS consists of 9 Area Taxpayer Advocate Directors who report to the NTA and oversee the 74 Local Taxpayer Advocates (LTA). The LTAs oversee the associate advocates who work cases to help resolve taxpayer problems.

If a taxpayer is suffering, or is about to suffer, a significant hardship as a result of the manner in which the IRS is applying tax law, the NTA and LTAs have the authority to issue a Taxpayer Assistance Order (TAO).³ A TAO may require the IRS to release taxpayers' property or take an action permitted by law. It may also stop the IRS from taking an action.

The law requires the TAS to develop guidance outlining criteria for referring taxpayer cases to local TAS offices and distribute it to all IRS officers and employees.⁴ In addition, a NTA Fiscal Year 2001 objective was to train and encourage the IRS operating divisions to identify and refer appropriate cases to the TAS. The TAS case referral criteria can be found in Appendix IV.

Audit work was performed between March and August 2001 at TAS offices in Atlanta, Georgia;

¹ Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C., 5 app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.), 26 U.S.C. § 7803(c)(1)(A) (Supp. IV 1998).

² The IRS is divided into functional units (e.g., Appeals, Taxpayer Advocate Service, and Criminal Investigation) and four operating divisions (Wage and Investment Income, Small Business/Self-Employed, Large and Mid-Size Business, and Tax Exempt and Government Entities).

³ 26 U.S.C. § 7811 (2000).

⁴ 26 U.S.C. § 7803(c)(2)(C)(ii) (Supp. IV 1998).

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

The Taxpayer Advocate Service Developed Guidance Outlining Criteria for Identifying Referrals

Fort Lauderdale, Florida; Milwaukee, Wisconsin; and Washington, DC. This audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The TAS complied with the requirements of the law by developing guidance outlining the criteria for identifying cases to be referred to the TAS. The TAS published its criteria, including the hardship criteria outlined in the law, in its own internal manual. It also provided this criteria on its internal web site and, at the time of our field work, was in the process of helping the IRS update its manuals to include references to the criteria.

In addition, the TAS developed and began delivering criteria awareness training. Local TAS instructors used a functional training guide⁵ to present the criteria awareness training to IRS employees during continuing professional education seminars, workshops, and group discussions. The group settings allowed the TAS instructors to provide examples and hypothetical situations applicable to each group.

In our opinion, the functional training guide, when supplemented with examples during presentations, is an excellent method of providing guidance to the IRS employees who interact with the public.

The Taxpayer Advocate Service Cannot Ensure It Provided Criteria Awareness Training to All Intended Employees

The NTA cannot ensure that all appropriate employees received the criteria awareness training to help employees identify cases to be referred to the TAS.

Although the training was developed and delivered, the TAS did not have a process in place to track employees who had received the training. Also, the IRS functions did not require their employees to be trained, and the TAS did not have the authority to require IRS functions to participate in the training.

To help provide criteria awareness training to IRS employees, the LTAs prepared plans for providing training

⁵ *Taxpayer Advocate Service Training Guide for Operational Employees*, Document 11189 (12-1999).

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

to IRS functions in their local areas. These plans were prepared and updated quarterly, and forwarded through the area directors to the TAS National Headquarters. Our review of 76 training plans and discussions with 3 LTAs and 3 area directors showed that the training plans had not been used to schedule and track training of specific groups or specific IRS employees.

The training plans were not designed to provide these specific details, and the LTAs we interviewed could not always tell us who they identified for the training and who received it. In two of the three offices visited, the operating division managers we spoke to did not remember receiving criteria awareness training from the TAS and did not know of upcoming meetings in which the TAS would be presenting training.⁶

In addition, the TAS does not have agreements with IRS functions to require the training for their employees. This might have prevented the LTAs from providing criteria awareness training. Area directors encouraged LTAs to ask IRS managers for opportunities to provide training. The LTAs we interviewed advised us that IRS managers did not always respond to their requests to provide or schedule training. Moreover, the LTAs had no authority to provide or schedule the criteria awareness training to IRS employees. In our opinion, a national service-level agreement between the TAS and the appropriate IRS functions requiring the training for appropriate IRS employees will help ensure IRS managers work with LTAs to schedule training time for TAS training.

If the TAS provided training to all appropriate IRS employees on identifying taxpayer cases to be referred to the TAS, it may help ensure that taxpayer cases meeting the criteria are properly identified and referred. It may also prevent taxpayers that do not meet the criteria from being erroneously referred. This may help ensure the TAS can assist taxpayers that are suffering significant hardship and

⁶ The IRS Treasury Inspector General for Tax Administration liaisons selected the operating division managers we interviewed.

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

resolve taxpayers' problems that have not been resolved through prior IRS contacts.

Recommendations

The NTA should:

1. Ensure the LTAs identify all IRS groups, functions, and units in their areas and document who received criteria awareness training.
2. Obtain national service-level agreements with the appropriate IRS functions that require training for IRS employees on identifying taxpayer advocate cases.

Management's Response: The TAS will work with the operating and functional divisions at the national level to identify the specific IRS groups, functions, and units that should receive the training and make them available to LTAs to deliver the training at the local level. In addition, TAS management has developed draft national service-level agreements that require training for IRS public contact employees on identifying TAS cases, and have shared them with each of the operating division commissioners. The draft agreements provide that the TAS will develop and deliver TAS criteria awareness training during annual Continuing Professional Education sessions, group meetings, and other appropriate opportunities.

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine if the National Taxpayer Advocate (NTA) has implemented the provision of 26 U.S.C. § 7803(c) that requires the NTA to develop guidance to be distributed to all Internal Revenue Service (IRS) officers and employees outlining the criteria for referral of taxpayer inquiries to local offices of the taxpayer advocate.¹ To accomplish this objective, we:

- I. Determined if the NTA developed a program or process to ensure IRS employees had sufficient guidance (materials and training) to identify taxpayer cases to be referred to local Taxpayer Advocate Service (TAS) offices.
 - A. Interviewed TAS officials responsible for ensuring compliance with 26 U.S.C. § 7803(c).
 - B. Interviewed TAS officials responsible for developing and distributing guidance (materials and training) to IRS employees.
- II. Determined if the NTA effectively distributed the guidance (materials and training) to the appropriate IRS employees to ensure taxpayer inquiries were referred to the local TAS office.
 - A. Researched the IRS manual, IRS Intranet, and other resources for the appropriate case criteria information that would be provided at the national level.
 - B. Reviewed and analyzed the national and local plans for providing the case criteria guidance to IRS employees.
 - C. Contacted the area director and LTA in each of the following TAS offices: Atlanta, Georgia; Fort Lauderdale, Florida; and Milwaukee, Wisconsin; to determine and evaluate the methodology used to develop and distribute the guidance to IRS employees. We selected these offices based on travel funds and available resources. In addition, to minimize the impact on TAS resources in selected offices, we excluded those offices selected for a separate TAS audit being conducted by the Treasury Inspector General for Tax Administration (TIGTA) during the same time period as this review.
- III. Determined if the guidance (materials and training) provided by the TAS to IRS employees met the intent of the Congress (i.e., was it sufficient to ensure taxpayer inquiries were referred to the local TAS office).

¹ 26 U.S.C. § 7803(c)(2)(C)(ii) (Supp. IV 1998).

**The National Taxpayer Advocate Needs to Ensure Operations
Employees Receive Training to Identify Cases**

- A. Discussed the case criteria with the appropriate TAS officials.
- B. Obtained, reviewed, and evaluated copies of the guidance from the TAS National Headquarters and the selected offices distributed by the TAS to IRS employees.
- C. Interviewed a judgmental sample of six IRS managers at the selected offices. At each office, we contacted TIGTA IRS liaisons and asked them to schedule meetings with a specified number of managers. The liaisons chose the managers we interviewed based on managers' availability during our visits to the audit locations. We did not need to select a statistically valid sample of IRS managers since we were not using the results from this testing to project results nationally.

**The National Taxpayer Advocate Needs to Ensure Operations
Employees Receive Training to Identify Cases**

Appendix II

Major Contributors to This Report

Maurice S. Moody, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

Mary V. Baker, Director

Augusta R. Cook, Audit Manager

Alan R. Beber, Senior Auditor

Kenneth L. Carlson, Senior Auditor

Cindy Harris, Auditor

David Lowe, Auditor

**The National Taxpayer Advocate Needs to Ensure Operations
Employees Receive Training to Identify Cases**

Appendix III

Report Distribution List

Commissioner N:C
Chief, Appeals AP
Commissioner, Large and Mid-Size Business Division LM
Commissioner, Small Business/Self Employed Division S
Commissioner, Tax Exempt and Government Entities Division T
Commissioner, Wage and Investment Division W
Director, Compliance (Small Business/Self Employed Division) S:C
Director, Compliance (Wage and Investment Division) W:CP
Director, Taxpayer Account Operations TA:TAO
Director, Taxpayer Advocate Service Strategic Human Resources TA:HR
Chief Counsel CC
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaisons:
 Small Business/Self Employed Division S:C:CP
 Wage and Investment Division W
 National Taxpayer Advocate TA

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

Appendix IV

Taxpayer Advocate Service Case Referral Criteria

Internal Revenue Service (IRS) employees should forward any taxpayer contact meeting any of the criteria listed below to the Local Taxpayer Advocate (LTA) for special handling:

1. The taxpayer is suffering, or about to suffer, a significant hardship.
2. The taxpayer is facing an immediate threat of adverse action.
3. The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
4. The taxpayer will suffer irreparable injury, or long-term adverse impact, if relief is not granted.
5. The taxpayer has experienced a delay of more than 30 calendar days to resolve a tax-related problem or inquiry. *(However, if the Internal Revenue Manual or other official internal document prescribes a normal time period for processing a taxpayer submission or request, then the 30-day period will begin on the day following the prescribed period. For example, the 30-day period for a refund request would begin 6 weeks after the return is filed.)*
6. The taxpayer has not received a response or resolution to his/her problem by the date promised.
7. A system(s) or procedure(s) either failed to operate as intended or failed to resolve the taxpayer's problem or dispute within the IRS.

Note: If the taxpayer specifically requests Taxpayer Advocate Service (TAS) assistance, the case should automatically be referred to the LTA.

Problems meeting TAS criteria do not necessarily need to be sent to the TAS if they can be immediately resolved by the function. It is important all IRS employees handle potential TAS cases with the taxpayer's best interest in mind.

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

Appendix V

Management's Response to the Draft Report



National
Taxpayer Advocate

Department of the Treasury
Internal Revenue Service
Washington, DC 20224

SEP 17 2001

OFFICE OF TREASURY
INSPECTOR GENERAL
RECEIVED

2001 SEP 20 P 4: 42

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: Nina E. Olson 
National Taxpayer Advocate

SUBJECT: Response to Draft Audit Report - The National Taxpayer
Advocate Needs to Ensure Operations Employees
Receive Training to Identify Cases (#200110023)

I reviewed your findings on our compliance with 26 U.S.C. Section 7803(c). The legislation requires the National Taxpayer Advocate (NTA) to develop guidance and distribute it to all IRS offices and employees outlining the criteria for referring taxpayer inquiries to our local offices. Your audit found the Taxpayer Advocate Service (TAS) complied with the requirements of the law by developing guidance outlining the criteria for identifying cases.

Your second finding states "although the training was developed and delivered, the TAS did not have a process in place to track employees who had received the training. Also, the IRS functions did not require their employees be trained and the TAS did not have the authority to require IRS functions to participate in training." Although the legislation does not require us to monitor the training we deliver, we know we have a critical responsibility in ensuring that all operating and functional division employees are trained on TAS criteria.

For our organization to effectively meet taxpayer needs, we must provide the operating and functional divisions with training on the TAS criteria. This includes effectively enforcing case criteria through feedback to operating and functional divisions about the referral of cases that did not meet TAS criteria. We highlighted this need in our recently signed Restructuring Agreement with NTEU.

In my FY2002 Objectives Report to Congress, I emphasized that having a well-trained workforce is critical to accomplishing our mission. Objectives within our training plan and communication strategy highlight our focus on training for operating and functional division employees.

The National Taxpayer Advocate Needs to Ensure Operations Employees Receive Training to Identify Cases

TIGTA Recommendation:

The NTA should ensure Local Taxpayer Advocates (LTAs) identify all IRS groups, functions, and units in their areas and document who received criteria awareness training.

Management Action:

We will work with the operating and functional divisions at the national level to identify the specific IRS groups, functions, and units that should receive the training, and to make them available to LTAs to deliver the training at the local level. We will develop an appropriate method to document the delivery of the training, and implement the training plan no later than March 31, 2002.

TIGTA Recommendation:

Obtain national service-level agreements with the appropriate IRS functions that require training for IRS employees on identifying taxpayer advocate cases.

Management Action:

We have developed draft national service-level agreements that require training for IRS public contact employees on identifying TAS cases, and have shared them with each of the operating division commissioners. The draft agreements provide that TAS will develop and deliver TAS criteria awareness training during annual Continuing Professional Education sessions, group meetings, and other appropriate opportunities. Meetings with representatives of each division to negotiate and conclude those agreements will begin this month. It is our goal that the service-level agreements will be finalized by March 31, 2002.

Thank you for the opportunity to review and comment on this report. If you have any questions or concerns, please call Rena Girinakis at (202) 622-4321.